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FISCAL IMPACT STATEMENT

LS 7518

BILL NUMBER: HB 1445

NOTE PREPARED: Jan 7, 2011

BILL AMENDED:

SUBJECT: Net Metering.

FIRST AUTHOR: Rep. Dvorak

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill requires the Indiana Utility Regulatory Commission (IURC) to adopt emergency rules amending the IURC's net metering and interconnection rules for electric utilities. It provides that the amended rules must: (1) make net metering available to all customer classes; (2) allow a net metering customer to interconnect to an electric utility's distribution facility a generating system that is sized to meet all or part of the customer's electric load; (3) allow a net metering customer to interconnect a generating facility that makes use of specified technologies; and (4) allow for customer meter aggregation. This bill provides that a rule adopted by the IURC to amend the IURC's net metering and interconnection rules may not make the net metering and interconnection rules apply to a rural electric membership corporation or a municipally owned utility. It provides that the existing rules are void to the extent they do not comply with the requirements for the amended rules.

It also requires the IURC to report to the Regulatory Flexibility Committee on the IURC's progress in adopting the amended rules. It requires the IURC to include in its annual report to the Regulatory Flexibility Committee the following information concerning net metering: (1) For each electric utility, the number of net metering customers and the nameplate capacity of the net metering facilities used. (2) A description of any safety related incidents. (3) A description of any grid reliability incidents. (4) For each electric utility, an estimate of any subsidization of the utility's net metering program provided by nonparticipating customers. This bill amends the statute concerning the reports prepared for and by the Regulatory Flexibility Committee to reflect the time frame of the General Assembly's interim study committee schedule.

Effective Date: Upon passage.

Explanation of State Expenditures: *IURC:* This bill requires the IURC to adopt rules on net metering and interconnection of electric utilities and report to the Regulatory Flexibility Committee on its progress in

adopting the rules. It also requires the IURC to include in its annual report to the Regulatory Flexibility Committee certain information concerning net metering. Any increase in administrative costs to the IURC will be offset by public utility fees.

State and Local Government Utility Expenditures: The bill requires an electric utility to offer net metering to all customer classes. Under current IURC rules (170 IAC 4-4.2) investor-owned electric utilities (IOEU) must offer net metering to residential customers and K-12 schools that install a net metering facility. Currently, IOEUs may, but are not required, to offer net metering to state and local governments. The bill would require all electric utilities to offer net metering to state and local governments. To the extent that any governmental entity chooses to utilize net metering, there could be a decrease in that entity's electric utility expenditures. The impact will ultimately depend upon the amount of revenue the state or local agency can generate through the sale of renewable energy back to an electric utility. If the governmental entity currently uses the renewable energy to supplement electricity use, the overall impact will be determined by the difference between the value of the current use of that energy versus the price the energy may be sold back to the electric utility.

Explanation of State Revenues: *Utility Rates:* To the extent that utility rates are affected by the net metering requirements in this bill, there will be an impact on Sales Tax, Utility Receipts Tax (URT), and Utility Services Use Tax (USUT) collections.

Background Information on Net Metering- As stated by the U.S. Department of Energy, "net metering allows consumers to offset the cost of electricity they buy from a utility by selling renewable electric power generated at their homes or businesses back to the utility. In essence, a customer's electric meter can run both forward and backward in the same metering period, and the customer is charged only for the net amount of power used."

The rate for both the URT and USUT is 1.4%. The URT is calculated on the gross receipts of all entities providing the retail sale of utility services in Indiana. The USUT is imposed on the retail consumption of utility services in Indiana. Both the URT and USUT are deposited in the state General Fund. Sales Tax revenue is deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.67%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Explanation of Local Expenditures: See *Explanation of State Revenues*.

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: All.

Information Sources: United States Department of Energy website;
http://www.eere.energy.gov/states/alternatives/net_metering.cfm.

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